



NLG Update - BUY

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Ms. Truc Pham

(+84 28) 3823 4159 - Ext: 303
trucptt@acbs.com.vn

Company Update

Recommendation

BUY

HOSE: NLG

Current price (VND)

Property
48,050

Target price (VND)

56,597

Expected share price return

17.8%

Expected dividend yield

2.1%

Expected total return

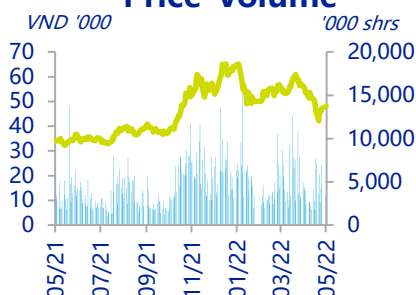
19.9%

Stock performance (%)

	YTD	1M	3M	12M
Absolute	-25.2	-14.6	-4.3	40.5
Relative	-16.1	-3.0	4.4	30.6

Source: Bloomberg

Price-Volume



Ownership

Mr. Nguyen Xuan Quang (Chairman)	11.6%
Ibworth Pte Ltd	10.0%
Thai Binh Investment JSC	6.2%

Stock Statistics

5-May-22

Bloomberg code	NLG VN
52-week range (VND)	31,843 - 67,400
Shares O/S (m)	382.94
Mkt cap (VND bn)	18,400
Mkt cap (USD m)	797
Foreign room left (%)	15.8
Est. free float (%)	59.9
3m avg daily vol (shrs)	4,578,790
VND/USD	23,090
Index: VNIndex / HNX	1360.68/358.75

NAM LONG INVESTMENT CORPORATION (NLG VN)

Q1 results underwhelmed mainly due to the delays in project transfers, but the full year outlook remains unchanged. We upgrade our recommendation to BUY, with an unchanged target price of 56,600, as NLG appears to have been oversold during the recent market correction.

Nam Long announced mixed 1Q2022 business results with a 149% YoY increase in net revenue, to VND587bn but a 91% YoY decrease in PAT, to VND33bn. The growth in the top line was mainly thanks to higher units delivered (163 units vs 106 units) and consolidation of Southgate project from 3Q2021 after increasing voting ratio from 50% to 65%. The decrease in the bottom line was mainly due to VND423bn of revaluation surplus from consolidating Izumi project (i.e. increasing ownership from 35.1% to 65.1%) recorded in 1Q2021. Gross margin jumped by 26 ppts YoY, to 42.6% mainly thanks to the consolidation of Southgate which mainly includes low-rise units.

The results were equivalent to only 8% and 2% of the company's revenue and PAT targets and lower than our estimation mainly due to a delay in recording ~VND350bn of profit from transferring 50% of Paragon Dai Phuoc and lower project deliveries than expectations.

Unit: VNDbn	1Q2021	1Q2022	YoY growth
Net revenue	236	587	+149%
Gross margin	17.0%	42.6%	+26 ppts
Financial income	8	23	+201%
Financial expenses	21	39	+83%
SGA expenses	138	194	+41%
Profit from associates and JVs	32	0	-100%
Other income	429	6	-99%
PAT	366	33	-91%

Source: NLG's 1Q2022 FS.

Sales performance in 1Q2022 witnessed positive growth of over 50% YoY, to 579 units and VND2,774bn of contracted value. Of note, Akari project was the best seller with 430 units sold and over VND1,400bn of contracted value thanks to the launch of 500 units at Block AK7 and AK8 in March. Sales in April also had positive momentum with the launch of 300

	2018	2019	2020	2021	2022E
Net Sales (VNDbn)	3,480	2,546	2,217	5,206	6,266
Growth	10.1%	-26.8%	-12.9%	134.8%	20.4%
EBITDA (VNDbn)	1,040	789	401	902	1,325
Growth	16.6%	-24.2%	-49.2%	125.1%	46.8%
NPATMI (VNDbn)	763	961	835	1,071	1,236
Growth	42.7%	25.8%	-13.1%	28.3%	15.4%
EPS (bonus-adjusted, VND)	2,680	3,146	2,778	3,011	3,071
Growth	28.3%	17.4%	-11.7%	8.4%	2.0%
ROE	15.8%	18.0%	11.5%	11.6%	12.5%
ROIC	8.1%	9.0%	6.8%	6.0%	5.4%
Net debt/EBITDA (x)	-1.1	-1.4	3.4	-0.3	-0.9
EV/EBITDA (x)	17.4	23.0	45.3	20.1	13.7
PER (x)	17.9	15.3	17.3	16.0	15.6
PBR (x)	2.4	2.3	2.4	2.1	1.9
DPS (VND)	489	957	891	1,178	1,000
Dividend Yield	1.0%	2.0%	1.9%	2.5%	2.1%

Flora Panorama units at Mizuki project with an absorption rate of over 80% and contracted value of ~VND900bn on launch day. If including bookings of over VND1,300bn for 190 units at Izumi project near the end of 2021 and sales from other projects, NLG sold 1,274 units with a total value of nearly VND5,900bn in 4M2022, completing 27% and 25% of 2022 targets, respectively.

We maintain our 2022 forecast for NLG with net revenue of VND6,266bn (+21% YoY) and PATMI of VND1,237bn (+16% YoY) as we think project delivery will speed up and profit from transferring Paragon Dai Phuoc will be recorded in the coming quarters. We maintain our current target price for this stock at VND56,597 based on NAV method and upgrade our recommendation to BUY as stock price has corrected by 12% since our last update report in 2/2022.

NLG FINANCIALS MODEL	Price (VND):	48,050	Target (VND):	56,597	Mkt cap (VND bn):	18,400
(VND bn except where stated)	2018	2019	2020	2021	2022E	
Total Net Sales	3,480	2,546	2,217	5,206	6,266	
Sales growth	10.1%	-26.8%	-12.9%	134.8%	20.4%	
CoGS ex-dep'n	1,963	1,459	1,523	3,397	3,799	
Gross profit	1,503	1,066	671	1,778	2,434	
Gross margin	43.2%	41.9%	30.3%	34.2%	38.8%	
SG&A	491	425	434	997	1,158	
SG&A as % of sales	14.1%	16.7%	19.6%	19.2%	18.5%	
EBITDA	1,040	789	401	902	1,325	
EBITDA margin	29.9%	31.0%	18.1%	17.3%	21.1%	
Depreciation	13	21	23	30	33	
Operating profit	1,027	768	378	872	1,292	
Operating profit margin	29.5%	30.2%	17.0%	16.8%	20.6%	
Financial income (excl. saving interest)	27	29	669	401	375	
Financial expenses (excl. interest expense)	1	1	49	10	10	
Net interest expense	-66	-48	-4	58	51	
as % of avg, net debt	0.7%	-2.3%	n/a	n/a	-34.3%	
Profit/loss from associates and JVs	14	126	142	91	16	
Other profit	9	383	13	435	-	
Tax	241	219	165	162	235	
Effective tax rate	21.3%	17.9%	16.2%	9.9%	14.6%	
Minority interest	124	47	15	407	135	
NPATMI	763	961	835	1,071	1,236	
Net profit margin	21.9%	37.7%	37.7%	20.6%	19.7%	
Cash earnings	777	981	858	1,101	1,269	
Number of shares (m)	230	240	275	383	383	
EPS (VND)	3,521	3,819	3,078	3,011	3,071	
Bonus factor (x)	0.8	0.8	0.9	1.0	1.0	
Adjusted EPS (VND)	2,680	3,146	2,778	3,011	3,071	
EPS growth	28.3%	17.4%	-11.7%	8.4%	2.0%	

KEY CASHFLOW AND BS ITEMS	2018	2019	2020	2021	2022E
Increase in working capital	984	284	1,904	7,750	1,057
Capex	15	67	44	19	19
Other cash flow items	-810	-1,273	-1,105	5,965	1,196
Free cash flow	-1,032	-643	-2,195	-703	1,388
Share issues (m)	633	891	6	2,637	0
Dividends paid	207	244	257	339	383
Increase in net debt	605	-5	2,446	-1,596	-1,005
Net debt, end of year	-1,093	-1,098	1,348	-247	-1,252
Shareholders' equity	5,285	6,200	6,720	13,595	14,448
BVPS (VND)	20,037	21,048	20,354	23,318	24,781
Net debt / equity	-20.7%	-17.7%	20.1%	-1.8%	-8.7%
Net debt / EBITDA (x)	-1.1	-1.4	3.4	-0.3	-0.9
Total assets	9,574	10,904	13,643	23,717	23,565

KEY RETURN AND VALUATION RATIOS	2018	2019	2020	2021	2022E
ROE	15.8%	18.0%	11.5%	11.6%	12.5%
ROA	8.7%	9.4%	6.8%	5.7%	5.2%
ROIC	8.1%	9.0%	6.8%	6.0%	5.4%
WACC	15.0%	8.5%	8.2%	8.5%	8.5%
EVA	-6.9%	0.5%	-1.4%	-2.5%	-3.1%
PER (x)	17.9	15.3	17.3	16.0	15.6
EV/EBITDA (x)	17.4	23.0	45.3	20.1	13.7
EV/FCF (x)	-17.6	-28.2	-8.3	-25.8	13.1
PBR (x)	2.4	2.3	2.4	2.1	1.9
PSR (x)	5.3	7.2	8.3	3.5	2.9
EV/sales (x)	5.2	7.1	8.2	3.5	2.9
Dividend yield	1.0%	2.0%	1.9%	2.5%	2.1%

CONTACTS

Ho Chi Minh City Head Office

41, Mac Dinh Chi, Dist. 1, Ho Chi Minh City
Tel: (+84 28) 3823 4159
Fax: (+84 28) 3823 5060

Hanoi Office

10 Phan Chu Trinh, HoanKiem Dist., Ha Noi
Tel: (+84 24) 3942 9395
Fax: (+84 24) 3942 9407

RESEARCH DEPARTMENT

Director - Head of Research

Tyler Cheung, CFA

(+84 28) 38 234 876
tyler@acbs.com.vn

Associate Director

Gigi Nguyen Binh

(+84 28) 3823 4159 (x250)
giaonbt@acbs.com.vn

**Associate – Consumer-related,
Technology**

Chi Luong
(+84 28) 3823 4159 (x327)
chiitk@acbs.com.vn

**Associate – Consumer-
related, Media**

Trung Tran
(+84 28) 3823 4159 (x351)
trungtn@acbs.com.vn

**Manager – Property
Truc Pham**

(+84 28) 3823 4159 (x303)
trucptt@acbs.com.vn

**Manager – Financials
Hung Cao, CFA**

(+84 28) 3823 4159 (x326)
hungcv@acbs.com.vn

**Associate – Derivatives, Macro
Minh Trinh**

(+84 28) 3823 4159 (x352)
minhtvh@acbs.com.vn

**Associate – Macro
Hoa Nguyen**

(+84 28) 3823 4159 (ext: 352)
hoant@acbs.com.vn

**Analyst – Technical
Phuoc Luong**

(+84 28) 3823 4159 (x354)
phuocld@acbs.com.vn

**Associate – Construction
materials**

Huy Huynh
(+84 28) 3823 4159 (x325)
huyha@acbs.com.vn

INSTITUTIONAL CLIENT DIVISION

Associate Director of Institutional Client

Huong Chu

(+84 28) 3824 6679
huongctk@acbs.com.vn

Trader

Thanh Tran

(+84 28) 3824 7677
thanhtt@acbs.com.vn

Trader

Phuong Chu

(+84 28) 3823 4159 (x357)
phuongctm@acbs.com.vn

Trader

Dung Ly

(+84 28) 3823 4159 (x313)
dungln.hso@acbs.com.vn

Trader

Nhi Nguyen

(+84 28) 3823 4159 (x315)
nhinp@acbs.com.vn

**Customer Support
Institutional Client**

Thanh Le

(+84 28) 3823 4798
thanhlt@acbs.com.vn

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Our Recommendation System

BUY: where we believe prospective 12 month VND total return (including dividends) will be 15% or more.

HOLD: where we believe it will be -15% to 15%.

SELL: where we believe it will be lower than -15%.

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